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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Techwayson Holdings Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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TECHWAYSON HOLDINGS LIMITED

德維森控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2330)

**PROPOSED ISSUE OF
CONVERTIBLE REDEEMABLE PREFERENCE SHARES
AND RE-ELECTION OF DIRECTORS**

Financial Adviser



CENTURION CORPORATE FINANCE LIMITED

A letter from the board of Directors of Techwayson Holdings Limited (the “Company”) is set out on pages 3 to 14 of this circular. A notice convening a special general meeting (the “SGM”) of the Company to be held at Plaza 4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 28 June 2006 at 10:00 a.m. is set out on pages 39 to 40 of this circular.

Whether or not you are able to attend the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the principal place of business of the Company in Hong Kong at Suite 2905, Tower 1, Lippo Centre, 89 Queensway, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

* *for identification purposes only*

10 June 2006

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Code”	the Hong Kong Code on Takeovers and Mergers
“Company”	Techwayson Holdings Limited, a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Stock Exchange
“Completion”	completion of the Subscription and Option Agreement
“Conversion Period”	subject to the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Ordinary Shares to be issued following the conversion of the Convertible Redeemable Preference Shares, the period (a) from 1 April 2007, or if on such date the trading of the Ordinary Shares on the Stock Exchange is or otherwise remains suspended, the day on which the trading of the Ordinary Shares shall resume following such suspension (provided that such date shall be no later than the date being the one month prior to the end of the third anniversary of the initial issue of the 250,000,000 Convertible Redeemable Preference Shares pursuant to the Subscription) to (b) the earlier of (i) the date of commencement of the voluntary or involuntary winding up of the Company and (ii) the date being the 10 business days before the third anniversary of the date of initial issue of the 250,000,000 Convertible Redeemable Preference Shares, subject to an extension of not more than 12 months as the Company and Weina may agree
“Convertible Redeemable Preference Share(s)”	the convertible redeemable non-voting preference share(s) of HK\$0.10 each in the capital of the Company to be allotted and issued pursuant to the Subscription and Option Agreement
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	7 June 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tsim”	Mr. Tsim Wing Kong

DEFINITIONS

“Option”	the option to be granted by Weina to the Company to require Weina during the Option Period to subscribe for 100,000,000 Convertible Redeemable Preference Shares pursuant to the Subscription and Option Agreement
“Option Period”	the period commencing on 1 April 2007 and ending on the date following the one month prior to the end of the third anniversary of the initial issue of the 250,000,000 Convertible Redeemable Preferences Shares
“Ordinary Share(s)”	the ordinary share(s) of HK\$0.10 each in the capital of the Company
“PRC”	the People’s Republic of China, excluding Hong Kong and Macau for the purpose of this announcement
“SFC”	The Securities and Futures Commission
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Subscription and Option Agreement (or any adjournment thereof)
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the 250,000,000 Convertible Redeemable Preference Shares pursuant to the Subscription and Option Agreement
“Subscription and Option Agreement”	the subscription and option agreement dated 26 May 2006 entered into between the Company, Weina and Mr. Tsim relating to the Subscription and Option
“Weina”	Weina BVI Limited, a company incorporated in the British Virgin Islands and, currently, is ultimately owned by Mr. Tsim and his spouse as to 70% and 30% of the shareholding respectively
“Weina Group”	Weina Group Limited, a company incorporated in the British Virgin Islands
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	Per cent.

Transactions of US\$ into HK\$ are for illustration purpose only, at the rate of US\$1.00 to HK\$7.80. No representation is made that any amount in US\$ or HK\$ could have been or could be converted at that rate or at any other rate or at all.

LETTER FROM THE BOARD



TECHWAYSON HOLDINGS LIMITED

德維森控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2330)

Executive Directors:

Dr. SZE Kwan (*Vice Chairman*)

Ms. CHAN Siu Chu, Debby

(Chief Executive Officer)

Mr. SIEK Fui

Mr. LIU Ping

Non-Executive Directors:

Mr. Gerard J. MCMAHON (*Chairman*)

Mr. LIN Gongshi

Independent Non-Executive Directors:

Mr. WEE Soon Chiang, Henny

Mr. WONG Kam Kau, Eddie

Mr. HUI Hung, Stephen

Registered Office:

Century Yard, Cricket Square

Hutchins Drive, PO Box 2681 GT

George Town, Grand Cayman

Cayman Islands, British West Indies

*Head office and principal place
of business:*

Suite 2905, Tower 1

Lippo Centre

89 Queensway

Hong Kong

10 June 2006

To the Shareholders,

Dear Sirs,

**PROPOSED ISSUE OF
CONVERTIBLE REDEEMABLE PREFERENCE SHARES
AND RE-ELECTION OF DIRECTORS**

INTRODUCTION

The board of Directors announced on 26 May 2006 that the Company entered into the Subscription and Option Agreement with Weina in relation to the subscription of 250,000,000 Convertible Redeemable Preference Shares by Weina at a subscription price of HK\$0.40 per Convertible Redeemable Preference Share and the grant by Weina to the Company of an option to require Weina during the Option Period to subscribe for an additional 100,000,000 Convertible Redeemable Preference Shares at a subscription price of HK\$0.40 per Convertible Redeemable Preference Share. The Subscription and Option Agreement is subject to the approval by the Shareholders at the SGM.

* *for identification purposes only*

LETTER FROM THE BOARD

SUBSCRIPTION AND OPTION AGREEMENT DATED 26 MAY 2006

Parties

Issuer: the Company

Subscriber: Weina

Guarantor: Mr. Tsim (as guarantor in respect of the obligations of Weina)

Convertible Redeemable Preference Shares to be issued

Under the Subscription and Option Agreement, 250,000,000 new Convertible Redeemable Preference Shares at a subscription price of HK\$0.40 per Convertible Redeemable Preference Share will be issued by the Company and subscribed by Weina or its nominees. 250,000,000 underlying Ordinary Shares will be issued upon full conversion of the 250,000,000 Convertible Redeemable Preference Shares, representing approximately 71.43% of the existing issued share capital of the Company and approximately 41.67% of the issued share capital of the Company as enlarged by the full conversion of the 250,000,000 Convertible Redeemable Preference Shares.

Currently, no Convertible Redeemable Preference Share is in issue. The Convertible Redeemable Preference Shares will not be listed on the Stock Exchange or any other stock exchange.

Weina has granted the Option to the Company to require Weina during the Option Period to subscribe for an additional 100,000,000 Convertible Redeemable Preference Shares at a subscription price of HK\$0.40 per Convertible Redeemable Preference Share. 100,000,000 underlying Ordinary Shares will be issued upon full conversion of the 100,000,000 Convertible Redeemable Preference Shares representing approximately 28.57% of the existing issued share capital of the Company and approximately 22.22% of the issued share capital of the Company as enlarged by the full conversion of the 100,000,000 Convertible Redeemable Preference Shares.

Upon full conversion of the aggregate 350,000,000 Convertible Redeemable Preference Shares to be issued pursuant to the Subscription and the exercise of the Option, Weina will own approximately 350,000,000 Ordinary Shares, representing approximately 100% of the existing issued share capital of the Company and approximately 50% of the issued share capital of the Company as enlarged by the full conversion of the aggregate 350,000,000 Convertible Redeemable Preference Shares.

Other terms of the Convertible Redeemable Preference Shares

Conversion:

Convertible into new Ordinary Shares during the Conversion Period at the conversion price of HK\$0.40 (subject to adjustments for the events summarised below, details of which are set out in Appendix I to the circular in the section headed "Adjustments To The Conversion Price"). The right to convert may be exercised in full or in part only at the discretion of the holder, subject to the undertaking given by Weina as set out in the section under the heading "Shareholding Structure"

LETTER FROM THE BOARD

and the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Ordinary Shares to be issued following the conversion of the Convertible Redeemable Preference Shares. The Company and Weina may agree to extend the Conversion Period for a period of not more than 12 months, please refer to the section under the heading “Shareholding Structure”. The Company has the right, exercisable immediately following the end of the Conversion Period (prior to any extension thereof) and up to the third anniversary of the date of the initial issue of the 250,000,000 Convertible Redeemable Preference Shares pursuant to the Subscription, to require the mandatory conversion of all or part of the outstanding Convertible Redeemable Preference Shares into new Ordinary Shares, or to require the redemption of all or part of the outstanding Convertible Redeemable Preference Shares at the amount equal to all amounts paid up or credited as paid up on the Convertible Redeemable Preference Shares. In the event that the Conversion Period is extended, the Company’s right to require the mandatory conversion of the outstanding Convertible Redeemable Preference Shares shall be deferred and shall be exercisable immediately following the end of the Conversion Period (as extended) and for a period of 10 business days thereafter.

Adjustments to conversion price

The conversion price of HK\$0.40 per Ordinary Share is subject to adjustments for the events set out below.

- consolidation or subdivision: alterations to the nominal value of the Ordinary Shares as a result of consolidation or subdivision and the resulting alternation to the nominal value of the Ordinary Shares;
- capitalisations of profits or reserves: should new Ordinary Shares be issued as fully paid by way of capitalisations of profits or reserves;
- capital distributions: if and whenever the Company shall pay or make any capital distribution to the holders of Ordinary Shares;
- rights issues of Ordinary Shares/options or warrants over Ordinary Shares: if and whenever the Company shall issue Ordinary Shares as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 80% of the current market price per Ordinary Share;
- Rights issues of other securities/options or warrants over other securities: if and whenever the Company shall issue any securities to all or substantially all Shareholders as a class by way of rights, or grant to all or substantially all Shareholders as a class any options, warrants or other rights to subscribe for or purchase any securities by way of rights, or offer any preferential rights to subscribe for or purchase securities of a subsidiary of the Company granted to all or substantially all holders of Ordinary Shares upon an initial public offering of the securities of such subsidiary where the rights of the holders of Ordinary Shares are exercisable at a subscription or purchase price, as the case may be, which is less than that at which the securities are offered to the public or any other person;

LETTER FROM THE BOARD

- issues of Ordinary Shares or other securities at less than 80% of the then current market price;
- modifications as to rights of conversion, exchange or subscription attaching to any such securities as mentioned above; and
- other events which may require adjustments to be determined by the Company's auditor or financial adviser.

For details on the abovementioned adjustments to the conversion price, please refer to the section headed "Adjustments To The Conversion Price" in Appendix I to the circular.

Redemption:

The Company has the right, exercisable immediately following the end of the Conversion Period (prior to any extension thereof) and up to the third anniversary of the date of the initial issue of the 250,000,000 Convertible Redeemable Preference Shares pursuant to the Subscription, to require the redemption of all or part of the Convertible Redeemable Preference Shares at the amount equal to all amounts paid up or credited as paid up on the Convertible Redeemable Preference Shares. In the event that the Conversion Period is extended, the Company's right to require the mandatory redemption of the outstanding Convertible Redeemable Preference Shares shall be deferred and shall be exercisable immediately following the end of the Conversion Period (as extended) and for a period of 10 business days thereafter.

Dividend:

Each Convertible Redeemable Preference Share is entitled to be paid a fixed cumulative preferential dividend in priority to any payment to the holders of any other class of shares at the rate of 3.5% per annum on the amount paid up or credited as paid up.

Non-Voting:

The holders of the Convertible Redeemable Preference Shares shall be entitled to receive notices of general meetings and to attend but not vote.

Transferability:

The Convertible Redeemable Preference Shares shall not be transferable.

For details of the terms of the Convertible Redeemable Preference Shares, please refer to Appendix I to the circular.

LETTER FROM THE BOARD

Conversion Price

The conversion price of HK\$0.40 for the conversion of each Convertible Redeemable Preference Share into one Ordinary Share was determined after arm's length negotiations.

The conversion price of HK\$0.40 represents a premium of approximately 21.2% to the closing price of HK\$0.33 per Ordinary Share as quoted on the Stock Exchange on 15 March 2006 (being the last trading day prior to the suspension of trading of the Ordinary Shares), and a premium of approximately 21.2% and to the average closing price of HK\$0.33 per Ordinary Share of the 5 and 10 trading days up to and including 15 March 2006.

The terms of the Subscription and Option Agreement were negotiated on an arm's length basis.

Conditions precedent

Completion of the Subscription and Option Agreement is conditional upon the terms and issue of the Convertible Redeemable Preference Shares and the Subscription and Option Agreement being approved by the Shareholders in the SGM.

If Weina is a connected person under the Listing Rules at the time the Option is exercised, the exercise of the Option would also be subject to the requirements set out under Chapter 14A of the Listing Rule, including independent Shareholders' approval.

Completion

The aggregate consideration for the subscription of the 250,000,000 Convertible Redeemable Preference Shares of HK\$100,000,000 will be paid in cash by Weina upon completion of the Subscription and Option Agreement. Completion of the Subscription and Option Agreement shall take place within three business days after the condition precedent of the Subscription and Option Agreement has been fulfilled. In the event that the above condition of the Subscription and Option Agreement is not fulfilled on or before 31 July 2006 or such other date as may be agreed in writing between the Company and Weina, the Subscription and Option Agreement shall terminate and none of the parties to the Subscription and Option Agreement will have any claims against the other parties save in respect of any prior breaches of the Subscription and Option Agreement. The additional consideration for the subscription of the 100,000,000 Convertible Redeemable Preference Shares of approximately HK\$40,000,000 will be paid in cash by Weina upon the exercise of the Option on the part of the Company.

LISTING

After Completion, the Company will make an application to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the aggregate 350,000,000 Ordinary Shares which may be issued following the exercise of conversion rights attaching to the Convertible Redeemable Preference Shares to be issued pursuant to the Subscription and following the exercise of conversion rights attaching to the Convertible Redeemable Preference Shares to be issued pursuant to the exercise of the Option. No conversion of the Convertible Redeemable Preference Shares into Ordinary Shares shall be made until such approval is granted by the Listing Committee of the Stock Exchange.

LETTER FROM THE BOARD

OBLIGATIONS UNDER THE CODE

Upon the conversion in full or in part of the Convertible Redeemable Preference Shares resulting in Weina holding more than 30% of the enlarged issued ordinary share capital of the Company, Weina will be required under Rule 26 of the Code to make a mandatory offer for the Ordinary Shares other than those already owned by Weina and parties acting in concert with it.

SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company immediately before and after the conversion of the Convertible Redeemable Preference Shares.

	Existing shareholding structure <i>No. of Ordinary Shares (%)</i>	After Completion but before the conversion of the 250,000,000 Convertible Redeemable Preference Shares <i>No. of Ordinary Shares (%)</i>	After Completion and assuming partial conversion* of the 250,000,000 Convertible Redeemable Preference Shares <i>No. of Ordinary Shares (%)</i>	After Completion and assuming partial conversion of the 350,000,000 Convertible Redeemable Preference Shares <i>No. of Ordinary Shares (%)</i>
Weina	0	0	155,904,000 (30.82%)	155,904,000 (30.82%)
Otto Link Technology Ltd.	126,700,000 (36.20%)	126,700,000 (36.20%)	126,700,000 (25.04%)	126,700,000 (25.04%)
Mr. Chak Joaquin Emilio Kin Man	96,824,000 (27.66%)	96,824,000 (27.66%)	96,824,000 (19.14%)	96,824,000 (19.14%)
Public	126,476,000 (36.14%)	126,476,000 (36.14%)	126,476,000 (25.00%)	126,476,000 (25.00%)
	<u>350,000,000</u> (100%)	<u>350,000,000</u> (100%)	<u>505,904,000</u> (100%)	<u>505,904,000</u> (100%)

* Partial conversion is assumed due to the maintenance of the minimum public float requirement and the undertaking given by Weina as set out in the paragraph below.

LETTER FROM THE BOARD

Pursuant to the Subscription and Option Agreement, Weina has undertaken to the Company that, subject to Completion, Weina will not exercise the conversion rights as to such number of Convertible Redeemable Preference Shares if upon the conversion thereof, the percentage of the Ordinary Shares held by the public drops to below the minimum public float requirement under rule 8.08 of the Listing Rules. If, at the end of the Conversion Period (prior to the extension thereof) there are Convertible Redeemable Preference Shares that remain outstanding, and Weina was unable to exercise, or was prevented from exercising, its conversion rights at any time during the Conversion Period (prior to the extension thereof) due to the restrictions contained in the undertaking, Weina and the Company may agree to extend the Conversion Period for a period of not more than 12 months.

DILUTION EFFECT

Given that upon full conversion of the aggregate 350,000,000 Convertible Redeemable Preference Shares, Weina will own approximately 50% of the issued ordinary share capital of the Company as enlarged by the full conversion of the aggregate 350,000,000 Convertible Redeemable Preference Shares, the Company is required to disclose by way of an announcement on the website of the Stock Exchange only all relevant details of the conversion of the Convertible Redeemable Preference Shares in the following manner:

- (i) the Company will make a monthly announcement (the “Monthly Announcement”) on the website of the Stock Exchange. Such announcement will be made on or before the fifth business day following the end of each calendar month following the commencement of the Conversion Period and will include the following details in a table:
 - a. whether there is any conversion of the Convertible Redeemable Preference Shares during the relevant month (if so, details of the conversion(s), including the conversion date, number of conversion shares issued, and conversion price for each conversion or, if there is no conversion during the relevant month, a negative statement to that effect);
 - b. the number of outstanding Convertible Redeemable Preference Shares after any conversions;
 - c. the total number of Ordinary Shares issued pursuant to other transactions, including Ordinary Shares issued pursuant to the exercise of options under any share option scheme(s) of the Company; and
 - d. the total issued share capital of the Company as at the commencement and the last day of the relevant month;

LETTER FROM THE BOARD

- (ii) in addition to the Monthly Announcement, if the cumulative amount of the Ordinary Shares issued pursuant to the conversion of the Convertible Redeemable Preference Shares reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Redeemable Preference Shares (as the case may be) (and thereafter in multiples of 5%), the Company will make an announcement on the website of the Stock Exchange including details as stated in (i) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Redeemable Preference Shares (as the case may be) up to the date on which the total amount of Ordinary Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Redeemable Preference Shares (as the case may be); and
- (iii) if the Company forms the view that any issue of the Ordinary Shares under the Convertible Redeemable Preference Shares will trigger a disclosure obligation under Rule 13.09 of the Listing Rules, then the Company will be obliged to make such a disclosure regardless of the issue of any other announcement in relation to the Convertible Redeemable Preference Shares.

If the Convertible Redeemable Preference Shares have been fully converted or redeemed, the Monthly Announcement requirements set out above will cease immediately.

INFORMATION ON WEINA

Weina is an investment holding company incorporated in the British Virgin Islands in 1997 with limited liability and, currently, is ultimately owned by Mr. Tsim and his spouse as to 70% and 30%, respectively. As at the Latest Practicable Date, none of Weina, Mr. Tsim or his spouse holds Ordinary Shares in the Company. To the best of the knowledge of the board of Directors of the Company, Weina, its nominees, Mr. Tsim and his spouse are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Mr. Tsim, aged 59, is the Chairman of Weina Group. Weina Group and its group of companies (of which Weina is part of) was founded by Mr. Tsim in 1990 and are engaged in manufacturing and property investments. Mr. Tsim has over 30 years' experience in manufacturing and property investments.

FUTURE INTENTION

The Group is principally engaged in investment holding, design, supply and integration of automation and control system and is also engaged in the trading of automation products and natural resources. It is the intention of Weina that following Completion, the principal activities of the Group will continue and the Group is also considering the possibility of diversifying into other business. So far as the current board of Directors is aware, there will be no changes in the foreseeable future to the existing Directors or senior management of the Company in connection with, or as a result of, the Subscription and the grant of the Option. In the event of any changes to the existing Directors or senior management of the Company, the Company will make an appropriate announcement as required by the Listing Rules.

LETTER FROM THE BOARD

REASONS FOR ENTERING INTO THE TRANSACTION AND USE OF PROCEEDS OF THE SUBSCRIPTION

The proposed issue of the Convertible Redeemable Preference Shares is a good opportunity for the Company to raise additional equity funding for the Company and as a result, to better enhance its financial position. The additional funding from the proposed issue of the Convertible Redeemable Preference Shares will enable the Group to undertake investments in connection with any possible business diversification. The total gross proceeds from the Subscription (excluding the issue of the 100,000,000 Convertible Redeemable Preference Shares pursuant to the exercise of the Option) amount to approximately HK\$100,000,000 and currently, it is anticipated by the Directors that approximately 50% of which will be used as general working capital of the Group and the remaining 50% of which for possible investment opportunities as they arise. The additional gross proceeds from the exercise of the Option amount to approximately HK\$40,000,000 and based on the same assumption of usage, approximately 50% of which will also be used as general working capital of the Group and the remaining 50% of which for possible investment opportunities as they arise.

MANAGEMENT

The board of Directors now comprises four Executive Directors, namely Dr. Sze Kwan, Mr. Siek Fui, Ms. Chan Siu Chu, Debby and Mr. Liu Ping, two Non-executive Directors, namely Mr. Lin Gongshi and Mr. Gerard McMahon and three Independent Non-executive Directors, namely Mr. Wee Soon Chiang, Henny, Mr. Wong Kam Kau, Eddie and Mr. Hui Hung, Stephen. Please refer to the Company's announcement dated 10 May 2006 in relation to the appointment of Mr. Gerard McMahon and the redesignation of position of Dr. Sze Kwan. So far as the board of Directors is aware, Weina will not be proposing the appointment of any new directors to the board of the Company.

LISTING RULES REQUIREMENTS

The Company has not conducted any fund raising activities during the twelve months prior to the date of the announcement dated 26 May 2006. The Directors consider that the terms of the Subscription and Option Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Subscription and Option Agreement is subject to the approval by the Shareholders at the SGM. Should the Option be exercised, the Company will also issue an announcement in respect of the exercise of the Option and the views of all the Directors. Centurion Corporate Finance Limited has been appointed as the financial adviser to the Company with respect to the proposed issue of the Convertible Redeemable Preference Shares.

Trading in the Ordinary Shares of the Company on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 16 March 2006. The Company is in the process of investigating into the matters regarding, and addressing issues arising from, the circumstances that gave rise to certain incidents, details of which were set out in the Company's announcement dated 25 May 2006 in relation to "Disclosure Pursuant to Rule 13.09 of the Listing Rules". An application will be made by the Company for resumption of trading in the Ordinary Shares after such issues as set out in the said announcement dated 25 May 2006 have been resolved to the satisfaction of the Stock Exchange.

LETTER FROM THE BOARD

RETIREMENT & RE-ELECTION OF DIRECTORS

Pursuant to Article 86(3) of the Articles of Association of the Company, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board of Directors or as an addition to the existing board of Directors. Any Director so appointed by the board of Directors shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

As at the Latest Practicable Date, the board of Directors comprise four executive directors, namely, Dr. Sze Kwan, Ms. Chan Siu Chu Debby, Mr. Siek Fui and Mr. Liu Ping; two non-executive directors, namely, Mr. Gerard McMahan and Mr. Liu Ping and three Independent Non-Executive directors, namely, Mr. Wee Soon Chiang, Henny, Mr. Wong Kam Kau, Eddie and Mr. Hui Hung, Stephen.

Each of Dr. Sze Kwan, Ms. Chan Siu Chu Debby, Mr. Siek Fui and Mr. Liu Ping, who was appointed by the board of Directors as Director to fill casual vacancy, shall hold his/her directorship only until the SGM and shall be eligible to offer himself/herself for re-election at the SGM. Mr. Gerard J. McMahan was appointed by the board of Directors as addition to the board of Directors and he shall hold his directorship only until the SGM and shall be eligible to offer himself for re-election at the SGM. The Directors therefore recommend the Shareholders to vote for the proposed resolutions regarding the election of Mr. Gerard J. McMahan, Dr. Sze Kwan, Ms. Chan Siu Chu Debby, Mr. Siek Fui and Mr. Liu Ping as Directors.

Article 88 of the Articles of Association of the Company provides that no person, other than a retiring Director, shall, unless recommended by the board of Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company that the minimum length of the period, during which such written notice(s) is/are given, shall be at least seven (7) days and that the period for lodgment of such written notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. Accordingly, if a Shareholder wishes to nominate a person to stand for election as a Director at the SGM, notice of his intention to propose such person for election as a Director and the notice executed by the nominee of his willingness to be elected must be validly served at the registered office of the Company at Suite 2905, Tower One, Lippo Centre, 89 Queensway, Hong Kong on or before 21 June 2006.

If a valid notice from a Shareholder to propose a person to stand for election as a Director at the SGM is received after the printing of this circular, the Company will issue a supplementary circular to inform Shareholders of the details of the additional candidate(s) proposed.

Brief biographical details of Dr. Sze Kwan, Mr. Gerard McMahan, Ms. Chan Siu Chu Debby, Mr. Siek Fui and Mr. Liu Ping, proposed to be re-elected at the SGM, are set out in Appendix II to this circular.

LETTER FROM THE BOARD

SGM

A notice convening the SGM to be held at Plaza 4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 28 June 2006 at 10:00 a.m. at which ordinary resolutions shall be proposed to the Shareholders to approve the Subscription and Option Agreement and the proposed issue of Convertible Redeemable Preference Shares and the re-election of the Directors set out above is set out on pages 39 and 40 of this circular. No Shareholders are required to abstain from voting at the SGM.

A form of proxy for use at the SGM is enclosed. If you are unable to attend the SGM in person, you are requested to complete and return the form of proxy to the principal place of business of the Company in Hong Kong at Suite 2905, Tower 1, Lippo Centre, 89 Queensway, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting should you so wish.

PROCEDURES FOR DEMANDING A POLL AT GENERAL MEETING

In accordance with Article 66, the following persons may demand that the vote in respect of any resolution put to the general meeting be taken on a poll:

- (i) the chairman of the meeting; or
- (ii) at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (iv) any member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A poll may be so demanded before or on the declaration of the result of the show of hands.

LETTER FROM THE BOARD

RECOMMENDATION

Taking into consideration of the reasons set out in the paragraph headed “Reasons for Entering into the Transaction and Use of Proceeds of the Subscription” above and the disclosure under the section headed “Material Adverse Change” in Appendix III to the circular, the Directors consider that the terms of the Subscription and Option Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the proposed issue of the Convertible Redeemable Preference Shares contemplated thereunder.

The Directors also consider the proposed re-election of the Directors set out above is in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Shareholders to vote in favour of resolutions 1 and 2 at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in Appendices I, II and III to, and the notice of the SGM of, this circular.

Yours faithfully,
For and on behalf of
Techwayson Holdings Limited
Gerard McMahon
Chairman

The Convertible Redeemable Preference Shares to be issued pursuant to the Subscription shall confer on the holders thereof the following rights and privileges.

1. INTERPRETATION

In these terms, unless the context otherwise requires, the following expressions shall have the following meanings:

“Auditor”	the auditors for the time being of the Company or, if they are unable or unwilling to carry out any action requested of them pursuant to the terms of this Schedule, such other firm of international accountants or a merchant or investment bank registered under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as shall be selected by the Company;
“business day”	a day (other than Saturday or Sunday) on which licensed banks in Hong Kong are generally open for business;
“Capital Distribution”	any dividend or distribution of any nature whatsoever to Members (in their capacity as such) unless (and to the extent that) it is for an amount (in aggregate for each 12 months) not exceeding 75% of the Company’s net profit after tax but before exceptional items for the immediately preceding financial year;
“Conversion Date”	the business day immediately following the date of surrender of the certificates in respect of the Convertible Redeemable Preference Shares and delivery of a valid Conversion Notice;
“Conversion Notice”	notice that a Convertible Redeemable Preference Shareholder wishes to exercise his rights of conversion in respect of any Convertible Redeemable Preference Shares;
“Conversion Period”	subject to the Listing Committee having granted the approval for the permission to deal in, and the listing of, such number of Shares arising on conversion, the period (a) from 1 April 2007, or if on such date the trading of the Shares on The Stock Exchange of Hong Kong Limited is or otherwise remains suspended, the day on which the trading of the Shares shall resume following such suspension (provided that such date shall be no later than the date being the one month prior to the end of the third anniversary of the initial issue of the Convertible Redeemable Preference Shares) to (b) the earlier of (i) the date of commencement

	of the voluntary or involuntary winding up of the Company and (ii) the date being the 10 business days before the third anniversary of the date of initial issue of the Convertible Redeemable Preference Shares, subject to the extension of not more than 12 months as the Company and the Convertible Redeemable Preference Shareholder may agree;
“Conversion Price”	HK\$0.40, subject to adjustment in accordance with the provisions of paragraph 5;
“Convertible Redeemable Preference Shareholder”	a holder of Convertible Redeemable Preference Shares;
“Convertible Redeemable Preference Shares”	the convertible redeemable non-voting preference shares of par value of HK\$0.10 each in the capital of the Company to be issued by the Company on these terms;
“Current Market Price”	while the Shares are listed on the Stock Exchange (whether the Shares are suspended or not, means in respect of a Share, as of any date, the average of the closing quotations published in the Stock Exchange’s Daily Quotation Sheet for one Share for the last five dealing days ending on the dealing day (on which the Shares have traded) immediately preceding such date; provided that if, at any time during the said five dealing days, the Shares shall have been quoted cum-dividend or any other right which the Shares to be issued on conversion will not receive the benefit of, the Auditor shall determine what adjustment, if any, is required to be made to the average of the closing quotations and its determination of the Current Market Price shall be final and binding;
“Final Redemption Date”	the third anniversary of the date of the initial issue of the Convertible Redeemable Preference Shares or such other date as the Company and the Convertible Redeemable Preference Shareholder may agree;
“Mandatory Conversion Notice”	notice that the Company wishes to exercise, at the end of the Conversion Period, the right to require the conversion of such Convertible Redeemable Preference Shares in accordance with paragraph 4.1;
“Members”	holders of Shares;

“Preferential Dividend”	has the meaning ascribed to it in paragraph 2.1;
“Record Date”	the date the relevant event occurs or, if the holders of Shares receive entitlements to participate in such event as at an earlier Record Date, such earlier Record Date;
“Redemption Notice”	notice that Convertible Redeemable Preference Shares are to be redeemed;
“Reference Amount”	as of any date, the amount equal to all amounts paid up or credited as paid up on a Convertible Redeemable Preference Share (including any premium paid up or credited as paid up thereon);
“Shares”	ordinary shares of par value of HK\$0.10 each in the capital of the Company; and
“Subsidiary”	a subsidiary (as that term is defined in the Hong Kong Companies Ordinance) of the Company.

2. DIVIDEND

- 2.1 The Convertible Redeemable Preference Shareholders shall be entitled to be paid, out of the profits of the Company available for distribution, a fixed cumulative preferential dividend (the “Preferential Dividend”), in priority to any payment to the holders of any other class of shares, at the rate of 3.5% per annum on the amount paid up or credited as paid up thereon (including any premium paid up or credited as paid up thereon).
- 2.2 The Preferential Dividend shall be payable (subject to paragraph 2.3) in arrears on 30th April and 31st October in each year or, if any such date shall not be a business day, on the first business day immediately following that day. A Convertible Redeemable Preference Shareholder shall not be entitled to any Preferential Dividend for the period from the last Preferential Dividend payment date to the Conversion Date.
- 2.3 Subject to compliance with applicable law, no payment of Preferential Dividends on the Convertible Redeemable Preference Shares shall be required to be made unless at the relevant due date the Company has sufficient distributable reserves to cover the payment of such Preferential Dividends. The Company will take all reasonable actions required or permitted under the relevant laws to permit the payment or accrual of Preferential Dividends on the Convertible Redeemable Preference Shares.

3. CAPITAL

3.1 On a liquidation, dissolution, winding up (whether voluntary or involuntary) or return or reduction of capital of the Company (other than by redemption of the Convertible Redeemable Preference Shares), the assets of the Company available for distribution among the Members shall be applied:

3.1.1 in priority to any payment to the holders of any other class of shares:

(A) first in paying to the Convertible Redeemable Preference Shareholders a sum equal to any arrears, deficiency or accrual of the Preferential Dividend thereon calculated down to the date of commencement of the liquidation, dissolution, winding up or return or reduction of capital of the Company, and to be payable irrespective of whether such dividend has been declared or earned or become due for payment or not; and

(B) secondly, an amount in repayment of capital equal to the amount paid up or credited as paid up on the Convertible Redeemable Preference Shares (including any premium paid up or credited as paid up thereon); and

3.1.2 after the repayment of the nominal amount of any other class of shares, any surplus assets then remaining shall be distributed *pari passu* among the holders of the Convertible Redeemable Preference Shares, any other preference shares issued by the Company and the Shares or a *pro rata* basis as if the Convertible Redeemable Preference Shares and any other preference shares issued by the Company had been converted into Shares in accordance with their terms of issue.

4. CONVERSION

4.1 Subject to and upon compliance with the provisions of this paragraph 4, a Convertible Redeemable Preference Shareholder shall have the right, exercisable at any time during the Conversion Period, to convert the Convertible Redeemable Preference Shares held by him into fully paid Shares equal to the then effective Reference Amount thereof divided by the Conversion Price in effect at the time of conversion. Subject to the provisions of paragraph 6, to the extent that, at the end of the Conversion Period (prior to the extension thereof), all or part of the Convertible Redeemable Preference Shares have not been redeemed in accordance with paragraph 6.1 or the Company is prevented by law from redeeming all the Convertible Redeemable Preference Shares as contemplated under the provisions of paragraph 6.2, the Company shall have the right, exercisable following the end of the Conversion Period and up to the Final Redemption Date (prior to the extension thereof as agreed), to require the conversion of all such Convertible Redeemable Preference Shares into fully paid Shares equal to the then effective Reference Amount thereof divided by the Conversion Price in effect at the time of conversion. In the event that the Conversion Period is extended, the right of the Company to require the conversion of the Convertible Redeemable Preference Shares as aforementioned shall be deferred and shall be exercisable following the end of the Conversion Period (as extended) up to the Final Redemption Date (as extended).

- 4.2 The right to convert may be exercised in whole or in part (in multiples of not less than 25,000,000 Convertible Redeemable Preference Shares), by a Convertible Redeemable Preference Shareholder delivering the certificate for such shares to the Secretary of the Company with a duly completed Conversion Notice in respect of the whole or any part of his Convertible Redeemable Preference Shares as he may in the Conversion Notice specify, together with such other evidence (if any) as the board of Directors may reasonably require to prove the title of the person exercising such right. A Conversion Notice once delivered cannot be withdrawn unless with the prior written consent of the Company. The Company shall, not later than 10 business days after the date of the Conversion Notice, despatch certificates, free of charge at the risk of the Convertible Redeemable Preference Shareholder, for Shares resulting from conversion and, if appropriate, certificates for any balance of the Convertible Redeemable Preference Shares remaining unconverted. Fractions of Shares arising on conversion will not be allotted and in lieu thereof the Company shall, if permitted by law, pay an amount equal to such amount of the Preference Share as is not converted.
- 4.3 Conversion of the Convertible Redeemable Preference Shares may be effected in such manner as directors of the Company shall from time to time determine (subject to compliance with all relevant laws and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases) and, without prejudice to the generality of the foregoing may be effected by the redemption (whether from profits or from a fresh issue of Shares) at the same time of the Convertible Redeemable Preference Shares at par.
- 4.4 The Shares which are issued on conversion shall be credited as fully paid and rank pari passu and form one class in all respects with the Shares then in issue.
- 4.5 The Company shall use its best endeavours to ensure that the Listing Committee of the Stock Exchange grants permission to deal in, and listing of, all the Shares arising on conversion.
- 4.6 The Company shall ensure that it will have sufficient authorised but unissued Shares for the time being outstanding available to satisfy in full the aforesaid conversion rights.
- 4.7 The right to require the mandatory conversion of the Convertible Redeemable Preference Shares may be exercised by the Company by delivering to the Convertible Redeemable Preference Shareholder(s) a duly completed Mandatory Conversion Notice in respect of such number of Convertible Redeemable Preference Shares and the Mandatory Conversion Notice may be delivered at any time from the next business day immediately following the end of the Conversion Period (or such extended period, as the case may be) up to the Final Redemption Date (or such extended period, where the Conversion Period as extended applies). The Convertible Redeemable Preference Shareholders shall, not later than 7 business days after the date of the Mandatory Conversion Notice deliver the certificates for the relevant Convertible Redeemable Preference Shares to be converted to the Secretary of the Company and the Company shall, not later than 10 business days after the receipt of such certificates, despatch certificates for Shares resulting from conversion.

- 4.8 The Conversion Period may be extended as agreed between the Company and the Convertible Redeemable Preference Shareholder for a period of not more than 12 months.

5. ADJUSTMENTS TO THE CONVERSION PRICE

- 5.1 Upon the happening of any event on which the Conversion Price falls to be adjusted in accordance with this paragraph 5, the Conversion Price shall be adjusted as follows:

Consolidation or Subdivision:

- 5.1.1 If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation or subdivision, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal value of one Share immediately after such alteration; and

B is the nominal value of one Share immediately before such alteration.

Such adjustment shall become effective from the day following the Record Date of such alteration.

Capitalisation of Profits or Reserves:

- 5.1.2 If and whenever the Company shall issue any Shares credited as fully paid to the Members by way of capitalisation of profits or reserves, other than Shares paid up out of distributable profits or reserves and/or share premium account issued in lieu of the whole or any part of a cash dividend which the Members concerned would or could otherwise have received and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective from the day following the Record Date of the issue of such Shares.

Capital Distributions:

5.1.3 If and whenever the Company shall pay or make any Capital Distribution to the holders of Shares (except where the Conversion Price falls to be adjusted under subparagraph 5.1.2 above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the Record Date of such Capital Distribution; and

B is the fair market value on the Record Date of such Capital Distribution, as determined in good faith by the Auditor, acting as an expert, of the portion of the Capital Distribution attributable to one Share.

Such adjustment shall become effective from the day following the Record Date of such Capital Distribution.

Rights Issues of Shares/Options or Warrants over Shares:

5.1.4 If and whenever the Company shall issue Shares to all or substantially all Members as a class by way of rights, or shall issue or grant to all or substantially all Members as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 80% of the Current Market Price per Share on the Record Date of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the number of Shares in issue immediately before such issue or grant;

- B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the grant.

Such adjustment shall become effective from the day following the Record Date of the issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

Rights Issues of Other Securities/Options or Warrants over Other Securities:

- 5.1.5 If and whenever the Company shall (i) issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Members as a class by way of rights, or (ii) grant to all or substantially all Members as a class any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) by way of rights, or (iii) offer any preferential rights to subscribe for or purchase securities of a Subsidiary granted to all or substantially all holders of Shares upon an initial public offering of the securities of such Subsidiary where the rights of the holders of Shares are exercisable at a subscription or purchase price, as the case may be, which is less than that at which the securities are offered to the public or any other person, then in any such case the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Share on the Record Date of such issue, grant or offer; and
- B is the fair market value on the Record Date of such issue, grant or offer, as determined in good faith by the Auditor, of the portion of the rights attributable to one Share.

Such adjustment shall become effective from the day following the Record Date of the issue of the securities or grant or offer of such rights, options, warrants or preferential rights (as the case may be).

Issues of Shares at less than Current Market Price:

5.1.6 If and whenever the Company shall (i) issue (otherwise than as mentioned in paragraph 5.1.4 above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares), or (ii) issue or grant any options, warrants or other rights to subscribe for or purchase Shares; in each case at a price per Share which is less than 80% of the Current Market Price on the Record Date of such issue or grant the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A+B}{C}$$

where:

- A is the number of Shares in issue immediately before the issue of such additional Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and
- C is the total number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe for or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the day following the Record Date of the issue of such Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

Issues of Other Securities at less than Current Market Price:

5.1.7 Save in the case of any issue of, or the granting of any option to require the subscription of, the Convertible Redeemable Preference Shares, or an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this paragraph 5.1.7, if and whenever the Company or any of its Subsidiaries (otherwise than as mentioned in paragraphs 5.1.4 to 5.1.6 above), or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other

company, person or entity shall issue wholly for cash any securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share receivable by the Company which is less than 80% of the Current Market Price on the Record Date of the issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Shares in issue immediately before such issue (or grant);
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or exchange or upon exercise of the rights of subscription attached to such securities would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the Record Date of the issue or grant of such securities.

Modifications to Rights of Conversion:

- 5.1.8 If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in paragraph 5.1.7 above (other than in accordance with the terms applicable to such securities) so that the consideration per Share is less than 80% of the Current Market Price on the Record Date for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Shares in issue immediately before such modification;

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or exchange or upon exercise of the rights of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price;

C is the maximum number of Shares to be issued upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate;

but giving credit in such manner as the Auditor shall, acting as an expert, consider appropriate for any previous adjustment under this sub-paragraph or paragraph (g) above.

Such adjustment shall become effective on the day following the Record Date for such modification of the rights of conversion, exchange or subscription attaching to such securities.

Other Events:

5.1.9 If the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this paragraph 5.1., the Company shall, at its own expense and acting reasonably, request the Auditor to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and the date on which such adjustment should take effect and upon such determination such adjustment (provided that the adjustment would result in a reduction in the Conversion Price) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this paragraph 5.1.9 if the Auditor is so requested to make such a determination, provided that where the circumstances giving rise to any adjustment pursuant to this paragraph 5.1 have already resulted or will result in an adjustment to the Conversion Price or where any other circumstances giving rise to any adjustment arise by virtue of any other circumstances which have already given or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this paragraph 5.1 as may be advised by the Auditor to be in their opinion appropriate.

5.2 For the purpose of any calculation of the consideration receivable pursuant to sub-paragraphs 5.1.6 to 5.1.8, the following provisions shall apply:

5.2.1 the aggregate consideration receivable for Shares issued for cash shall be the amount of such cash provided that in no case shall any deduction be made for any commission or any expenses paid or incurred by the Company for any underwriting of the issue or otherwise in connection therewith; and

- 5.2.2 the aggregate consideration receivable for the Shares to be issued upon the conversion or exchange of any securities shall be deemed to be the aggregate consideration received or receivable by the Company for any such securities; and
- 5.2.3 the aggregate consideration receivable for the Shares to be issued upon the exercise of rights of subscription attached to any securities shall be deemed to be that part (which may be the whole) of the aggregate consideration received or receivable by the Company for such securities which is attributed by the Company to such rights of subscription or, if no part of such consideration is so attributed or a Convertible Redeemable Preference Shareholder so required by notice in writing to the Company, the fair market value of such rights of subscription as at the Record Date for the terms of issue of such securities (as determined in good faith by the Auditor, plus in the case of each of 5.2.2. and 5.2.3. above, the additional minimum consideration (if any) to be received by the Company upon the conversion or exchange of such securities, or upon the exercise of such rights of subscription attached thereto (the consideration in all such cases to be determined subject to the proviso in paragraph 5.2.1.); and
- 5.2.4 the consideration per Share receivable by the Company upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such securities shall be the aggregate consideration referred to in 5.2.2. or 5.2.3 above (as the case may be) converted into Hong Kong dollars if such consideration is expressed in a currency other than Hong Kong dollars at such rate of exchange as may be determined in good faith by the Auditor to be the spot rate prevailing at the close of business on the date of announcement of the terms of issue of such securities, divided by the number of Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate.
- 5.3 Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of the Company the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by the Auditor to be in their opinion appropriate in order to give such intended result.
- 5.4 No adjustment will be made to the Conversion Price:
- 5.4.1 when Shares or other securities (including rights or options) are issued, offered or granted pursuant to and in accordance with the terms of any Share scheme for employees of the Company or any of its Subsidiaries;
- 5.4.2 in respect of an issue by the Company of Shares or an issue by the Company or any of its Subsidiaries of securities convertible into or rights to acquire Shares in consideration in whole or in part for the acquisition of any other securities, assets or business;

- 5.4.3 if the Company makes an issue of Shares pursuant to a scrip dividend scheme where an amount of not less than the nominal amount of the Shares so issued is capitalised and the Current Market Price per Share is not more than 110% of the amount of dividend which holders of the Shares could elect to or would otherwise receive in cash;
- 5.4.4 if it would result in an increase in the Conversion Price (other than by reason of a consolidation of Shares); or
- 5.4.5 in respect of in any issue of, or the granting of any option to require the subscription of, the Convertible Redeemable Preference Shares.
- 5.5 If any doubt shall arise as to the appropriate adjustment to the Conversion Price, a certificate of the Auditor shall be conclusive and binding on all concerned save in the case of manifest or proven error.
- 5.6 On any adjustment, the resultant Conversion Price, if not an integral multiple of 1 Hong Kong cent, shall be rounded up or down to the nearest Hong Kong cent. Any adjustment not required to be made, and any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustments shall be given to the Convertible Redeemable Preference Shareholders as soon as practicable after the determination thereof.
- 5.7 If the Conversion Price is to be reduced so that, on conversion, Shares would fall to be issued at a discount to their par value, the Conversion Price shall be reduced to the par value, provided that if the par value is subsequently reduced, the Conversion Price shall be adjusted accordingly.
- 5.8 Whenever the Conversion Price is adjusted, the Company shall give notice to the Convertible Redeemable Preference Shareholders that the Conversion Price has been adjusted (setting forth the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof) and shall at all times thereafter so long as any Convertible Redeemable Preference Share remains outstanding make available for inspection at its registered office in Hong Kong a signed copy of the certificate of the Auditor (if applicable) and a certificate signed by a director of the Company setting forth brief particulars of the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof.

6. REDEMPTION

- 6.1 Subject to compliance with any legislation applicable to the Company, the Company shall have the right, exercisable following the end of the Conversion Period (prior to the extension thereof) and up to the Final Redemption Date (prior to the extension thereof), to redeem all or part of the Convertible Redeemable Preference Share(s) at the Reference Amount. In the

event that the Conversion Period is extended, the right of the Company to redeem the Convertible Redeemable Preference Shares as aforementioned shall be deferred and shall be exercisable following the end of the Conversion Period (as extended) up to the Final Redemption Date (as extended). The right to redeem all or part of the Convertible Redeemable Preference Shares may be exercised by the Company by delivering to the Convertible Redeemable Preference Shareholder(s) a duly completed Redemption Notice in respect of such number of Convertible Redeemable Preference Shares to be redeemed and such Redemption Notice may be delivered at any time from the next business day immediately following the end of the Conversion Period (or such extended period as the case may be) up to the Final Redemption Date (or such extended period, where the Conversion Period as extended applies). Payment of the relevant redemption amount will be made to the Convertible Redeemable Preference Shareholder's nominated bank account or delivered to the Convertible Redeemable Preference Shareholder at an address in Hong Kong within 24 hours of the Final Redemption Date or the next business day if the Final Redemption Date falls on a day other than a business day. If any certificates so delivered to the Company shall include any Convertible Redeemable Preference Shares not redeemed on the occasion for which it is so delivered, the Company shall at the holders' risk issue, without charge, a balance certificate for such Convertible Redeemable Preference Shares. Subject to paragraph 6.2, and for the avoidance of doubt, the Company shall have the right, exercisable following the end of the Conversion Period (or such extended period as the case may be) and up to the Final Redemption Date (or such extended period, where the Conversion Period as extended applies), to require the conversion of all or part of the Convertible Redeemable Preference Share(s) into fully paid Shares in accordance with the provisions of paragraph 4.

- 6.2 In the event that the Company is prevented by law from redeeming all the Convertible Redeemable Preference Shares it shall redeem such as it is able to redeem on a pro-rata basis between holders, and in respect of the balance, the cumulative dividend payable thereafter shall be 3.5% per annum payable semi-annually and calculated on the aggregate of the Reference Amount thereof. The Company shall from time to time thereafter redeem, as soon as it is able so to do, such number of Convertible Redeemable Preference Shares as it is permitted by law to redeem, at a price equal to the Reference Amount calculated to the Final Redemption Date.
- 6.3 If any Convertible Redeemable Preference Shareholder whose shares are liable to be redeemed under this paragraph 6 shall fail or refuse to deliver up the certificate for his shares, the Company may retain the redemption monies until delivery up of the certificate or of any indemnity in respect thereof satisfactory to the Company and shall within seven days thereafter pay (by cheque despatched at the holder's risk) the redemption monies to the relevant Convertible Redeemable Preference Shareholder. No Convertible Redeemable Preference Shareholder shall have any claim against the Company for interest on any redemption monies so retained.
- 6.4 In the event that the Company and the Convertible Redeemable Preference Shareholder agree to extend the Conversion Period in accordance with paragraph 4.8, the Company and the Convertible Redeemable Preference Shareholder shall agree and confirm a later date as

the Final Redemption Date and the period of such extension shall be an equivalent period of time as that by which the Conversion Period is extended by in accordance with paragraph 4.8 as agreed between the parties.

7. NON-VOTING AND NON TRANSFERABLE

7.1 The Convertible Redeemable Preference Shareholders shall be entitled to receive notices of general meetings and to attend but not vote.

7.2 The Convertible Redeemable Preference Shares shall not be transferable.

8. GENERAL

8.1 Unless and until all outstanding Preferential Dividends have been paid, the Company shall not pay any dividend or distribute any profits or reserve any amount in the Company's funds for the purpose of making such payment or distribution, or redeem or purchase the shares of any other class of the Company's share capital.

8.2 Any Convertible Redeemable Preference Shares redeemed shall be treated as cancelled on redemption and the amount of the Company's issued share capital shall, accordingly, be diminished by the nominal amount of those shares. The preference share capital existing as a consequence of such redemption of any of the Convertible Redeemable Preference Shares shall pursuant to the authority hereby given and subject to all applicable laws be converted, subdivided and/or consolidated into shares of any other class of share capital into which the authorised share capital of the Company is or may at that time be divided of a like nominal amount (or as nearly as may be) as the shares of such class then in issue or into unclassified shares of the same nominal amount as the Convertible Redeemable Preference Shares, as the Directors may determine.

8.3 The Company shall send to the Convertible Redeemable Preference Shareholders a copy of every document sent by the Company to the holders of Shares at the time the same is sent to the holders of the Shares.

8.4 Save as referred to in these terms, the Convertible Redeemable Preference Shares shall not confer on the holder thereof any pre-emptive subscription rights in relation to issues of further shares or other securities in the capital of the Company.

8.5 The Company shall not in any way modify or amend these terms without the prior written approval of the holders of the outstanding Convertible Redeemable Preference Shares.

8.6 The provisions contained in the constitutional documents of the Company relating to the serving of notices or other documents by or on shareholders shall apply equally to the serving of notices or other documents by or on the Convertible Redeemable Preference Shareholders.

The followings are the particulars of the Directors proposed to be re-elected at the SGM:

1. **Mr. Gerard McMahon**, aged 62, is a non-executive Director and Chairman of the Company and a member of the Audit Committee and Remuneration Committee. Mr. McMahon is qualified as a barrister in Hong Kong and New South Wales, Australia. He was an executive director and a member of the Securities and Futures Commission in Hong Kong (“SFC”) and the representative of the SFC on the Hong Kong Standing Committee on Company Law Reform. He was also a member of the Hong Kong Takeover and Merger Panel and Legal Adviser to Hong Kong’s Securities Review Committee and Insider Dealing Tribunal. Since leaving the SFC, he had been appointed a director of various publicly listed companies in Hong Kong and overseas. Currently, he is an independent non-executive director of Guangnan (Holdings) Limited.

Save as disclosed above, Mr. McMahon did not hold any other directorships in listed public companies during the last three years. There is no service contract between the Company and Mr. McMahon. The term of Mr. McMahon’s directorship shall be up to the conclusion of the Company’s annual general meeting in year 2008. His remunerations is determined by the Remuneration Committee and approved by the board of Directors, as authorized by the Shareholders at the annual general meeting held on 28 October 2005, with reference to their duties and responsibilities. Mr. McMahon has no relationship with any other Directors, senior management, substantial or controlling Shareholders of the Company. There is no other matter that needs to be brought to the attention of Shareholders or other information that should be disclosed under rule 13.51(2) of the Listing Rules. If elected at the SGM, Mr. McMahon’s appointment shall be subject to the provisions of retirement and re-election at the annual general meetings of the Company in accordance with the Articles of Association of the Company. As at the Latest Practicable Date, Mr. McMahon did not have any interests in the Ordinary Shares within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”).

2. **Dr. Sze Kwan**, aged 40, is a Vice-Chairman of the Company. He had been appointed as the Chairman and managing director of the Company in September 2000 and resigned from the position in March 2004. Since Dr. Sze was the founder of the Group and possessed valuable experience in the automation industry, he was invited to join the board of Directors again as Executive Director and Chairman of the Company in January 2006 and re-designated as Vice-Chairman of the Company in May 2006. He also serves on the boards of various subsidiaries of the Company. He has over 15 years of experience in automation and is a pioneer in China for developing tailor-made automation and control system. Dr. Sze graduated with a bachelor degree in electronic engineering from the Nanjing Institute of Technology of China (中國南京工學院) in 1985, a master degree in photo-electronics from East China Institute of Technology (華東工學院) in 1988 and a doctorate in photoelectric technology from the Shanghai Institute of Technical Physics of the Chinese Academy of Science (中國科學上海技術物理研究所) in 1991. Dr. Sze is the vice-chairman of Shenzhen Instrumentation & Control Society (深圳市儀器儀表行業協會) and owns patents for various technological inventions he has developed.

As at the Latest Practicable Date, Dr. Sze held 80% equity interest in Otto Link Technology Limited which beneficially owns 126,700,000 Ordinary Shares of the Company within the meaning Part XV of the SFO.

Save as disclosed above, Dr. Sze has no relationship with any other Directors, senior management, substantial or controlling Shareholders of the Company. He did not hold any other directorships in listed public companies during the last three years. There is no service contract between the Company and Dr. Sze, who is not appointed for a specific term. His remunerations is determined by the Remuneration Committee and approved by the board of Directors, as authorized by the Shareholders at the annual general meeting held on 28 October 2005, with reference to their duties and responsibilities. There is no other matter that needs to be brought to the attention of Shareholders or other information that should be disclosed under rule 13.51(2) of the Listing Rules. If elected at the SGM, the term of Dr. Sze's appointment shall be subject to the provisions of retirement and re-election at the annual general meetings of the Company in accordance with the Articles of Association of the Company.

3. **Ms. Chan Siu Chu, Debby**, aged 41, is an executive Director and Chief Executive Officer of the Company. She is a member of the Remuneration Committee and Executive Committee. She also serves on the board of a subsidiary of the Company. Ms. Chan graduated from the Chinese University of Hong Kong. Before her appointment as general manager of a number of listed companies, Ms. Chan was the Corporate & Community Relations Manager with ATV and the Marketing Communications Manager with a property developer. She is experienced in general management, marketing and communications.

Save as disclosed above, Ms. Chan did not hold any other directorships in listed companies during the last three years. There is no service contract between the Company and Ms. Chan, who is not appointed for a specific term. Her remunerations is determined by the Remuneration Committee and approved by the board of Directors, as authorized by the Shareholders at the annual general meeting held on 28 October 2005, with reference to their duties and responsibilities. Ms. Chan has no relationship with any other Directors, senior management, substantial or controlling Shareholders of the Company. There is no other matter that needs to be brought to the attention of Shareholders or other information that should be disclosed under rule 13.51(2) of the Listing Rules. If elected at the SGM, the term of Ms. Chan's appointment shall be subject to the provisions of retirement and re-election at the annual general meetings of the Company in accordance with the Articles of Association of the Company.

As at the Latest Practicable Date, Ms. Chan did not have any interests in the Ordinary Shares within the meaning of Part XV of the SFO.

4. **Mr. Siek Fui**, aged 36, is an executive Director of the Company and a member of Executive Committee. He also serves on the board of a subsidiary of the Company. He graduated from Langara College in Canada. Mr. Siek has extensive experience in the trading of IT products, natural resources and other commodities. He is also involved in manufacturing, advertising and property development in mainland China. Mr. Siek will be mainly responsible for business development of the Group.

Save as disclosed above, Mr. Siek did not hold any other directorships in listed public companies during the last three years. There is no service contract between the Company and Mr. Siek, who is not appointed for a specific term. His remunerations is determined by the Remuneration Committee and approved by the board of Directors, as authorized by the Shareholders at the annual general meeting held on 28 October 2005, with reference to their duties and responsibilities. Mr. Siek has no relationship with any other Directors, senior management, substantial or controlling Shareholders of the Company. There is no other matter that needs to be brought to the attention of Shareholders or other information that should be disclosed under rule 13.51(2) of the Listing Rules. If elected at the SGM, the term of Mr. Siek's appointment shall be subject to the provisions of retirement and re-election at the annual general meetings of the Company in accordance with the Articles of Association of the Company.

As at the Latest Practicable Date, Mr. Siek did not have any interests in the Ordinary Shares within the meaning of Part XV of the SFO.

5. **Mr. Liu Ping**, aged 36, is an executive Director of the Company. He graduated from Hunan University with a bachelor degree in electrical industrial automation. He has nearly 8 years of experience in electrical industrial automation and building control system. Mr. Liu is also a member of Hu Nan Electrical Engineer Society. (湖南電氣工程師協會) and Shenzhen Expert Economic Technology Service Centre (深圳市專家經濟技術服務中心).

Save as disclosed above, Mr. Liu did not hold any other directorships in listed public companies during the last three years. There is no service contract between the Company and Mr. Liu who is not appointed for a specific term. His remunerations is determined by the Remuneration Committee and approved by the board of Directors, as authorized by the Shareholders at the annual general meeting held on 28 October 2005, with reference to their duties and responsibilities. Mr. Liu has no relationship with any other Directors, senior management, substantial or controlling Shareholders of the Company. There is no other matter that needs to be brought to the attention of the Shareholders or other information that should be disclosed under rule 13.51(2) of the Listing Rules. If elected at the SGM, the term of Mr. Liu's appointment shall be subject to the provisions of retirement and re-election at the annual general meetings of the Company in accordance with the Articles of Association of the Company.

As at the Latest Practicable Date, Mr. Liu did not have any interests in the Ordinary Shares within the meaning of Part XV of the SFO.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(A) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Name of Directors	Nature of Interest	Total Number of Shares	Percentage of issued share capital (%)
Dr. Sze Kwan	Corporate	126,700,000*	36.20

* These shares are held through Otto Link Technology Limited, which is beneficially owned as to 80% by Dr. Sze and 20% by Mr. Tung Fai.

(B) Substantial Shareholders of the Company

As at the Latest Practicable Date, save as disclosed below, so far as was known to any Directors or managing Director of the Company, no person (other than a Director or chief executive of the Company or their respective associates) had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity and nature of interest	Number of Shares held/interested	Approximate Shareholding
Otto Link Technology Limited	Beneficial owner	126,700,000	36.20%
Mr. Chak Joaquin Emilio Kin Man	Beneficial owner	98,824,000	27.66%
Weina (Note)	Beneficial owner	350,000,000	100.00%

Note: Weina had entered into the Subscription and Option Agreement and through the Subscription and Option Agreement, Weina is interested in such number of Convertible Redeemable Preference Shares with the right to convert up to 350,000,000 Ordinary Shares. Mr. Tsim is indirectly and beneficially interested in 70% of the entire issued share capital of Weina.

3. MATERIAL CONTRACTS

Within the two years immediately preceding the date of this circular, the Company had entered into the Subscription and Option Agreement being a contract not entered into in the ordinary course of business carried on by the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. LITIGATION

As at the Latest Practicable Date, the Group has been involved in certain litigations in the PRC with allegedly claims made by third parties of approximately RMB154,708,000 in aggregate in respect of certain guarantees given by the two wholly-owned subsidiaries of the Group in PRC and a construction-related litigation. Details of these litigations were set out in the Company's announcement dated 25 May 2006, a summary of which is set out below.

In early February and March 2006, the Company had been informed by its wholly-owned subsidiaries in the PRC, Techwayson Industrial Limited ("TWS") and Hiwayson Technology Limited ("HWS") (renamed as 德維森科技(深圳)有限公司 Techwayson Technology (Shenzhen) Limited), that they have been served with writs of summons issued by the Tongling Intermediate People's Court and Shenzhen Intermediate People's Court. As the then and current board of Directors was not aware of the underlying transactions concerning the two subsidiaries that were alleged in the writs of summons, the Company has been investigating the relevant facts.

The board of Directors was informed by TWS and HWS that it had been served with the following writs of summons:

1. Two China Construction Bank ("CCB") Writs were issued through the Tongling Intermediate People's Court (PRC) and the parties to the litigation are as follows:
 - (i) CCB Tongling Branch, as plaintiff;
 - (ii) Goldwiz Huarui (Tongling) Electronic Material Co. Limited (科維華瑞(銅陵)電子材料有限公司) ("Goldwiz Tongling"), as first defendant; and
 - (iii) TWS, as second defendant.

As a bank creditor, the plaintiff claims from Goldwiz Tongling the repayment of loans in the amount of, in one action, RMB18,000,000 with interests and, in another action, RMB23,500,000 with interests. TWS is alleged to be liable for such sum as a guarantor, aggregating to an amount of RMB41,500,000 with interests. It is alleged that TWS had given the guarantees in October 2004 and then again in October 2005.

2. The Industrial and Commercial Bank of China (“ICBC”) Writ was issued through the Tongling Intermediate People’s Court (PRC) and the parties to the litigation are as follows:

- (i) ICBC Tongling Branch, as plaintiff;
- (ii) Goldwiz Tongling, as first defendant; and
- (iii) TWS, as second defendant.

As a bank creditor, the plaintiff claims from Goldwiz Tongling the repayment of loans and the payment of issued acceptance bills. TWS is alleged to be liable for the amount of RMB6,000,000 and the amount of RMB8,576,250 with interest as guarantor, aggregating to an amount of RMB14,576,250 with interest. It is alleged that TWS had given the guarantee to ICBC Tongling Branch on 8 October 2004.

3. The Tongling Economic Technical Development Zone (Group) Company (銅陵經濟技術開發區(集團)總公司) (“Tongling Group”) Writ was issued through the Tongling Intermediate People’s Court (PRC) and the parties to the litigation are as follows:

- (i) Tongling Group, as plaintiff;
- (ii) Goldwiz Tongling, as first defendant; and
- (iii) TWS, as second defendant.

As a creditor, the plaintiff claims from Goldwiz Tongling the payment in the amount of RMB16,340,000 as payment in advance made by the plaintiff for the first defendant. TWS is alleged to be liable for such sum as guarantor. The Repayment Agreement was purportedly entered into between the parties in September 2005.

4. The Bank Of China (“BOC”) Tongling Branch Writ was issued through the Tongling Intermediate People’s Court (PRC) and the parties to the litigation are as follows:

- (i) BOC Tongling Branch, as plaintiff;
- (ii) Goldwiz Tongling, as first defendant;
- (iii) TWS, as second defendant; and
- (iv) HWS, as third defendant.

As a bank creditor, the plaintiff claims from Goldwiz Tongling the repayment of loans in the amount of RMB9,879,446.26 with interests and the payment of RMB11,719,990 in respect of issued acceptance bills. TWS and HWS are alleged to be liable for such sums as guarantors, aggregating to an amount of RMB21,599,436.26 with interests. It is alleged that each of HWS and TWS had given the guarantee in July 2005.

5. The BOC Shenzhen Writ was issued through the Shenzhen Intermediate People's Court (PRC) and the parties to the litigation are as follows:
- (i) BOC Shenzhen Branch, as plaintiff;
 - (ii) Shenzhen Qi Hai Industrial Company (深圳市濟海實業有限公司) ("Qi Hai Company"), as first defendant;
 - (iii) TWS, as second defendant;
 - (iv) Goldwiz Real Estate (Shanghai) Co. Ltd. (科維置業(上海)有限公司) ("Goldwiz Real Estate"), as third defendant; and
 - (v) Goldwiz Tongling, as fourth defendant.

As a bank creditor, the plaintiff claims from Qi Hai Company the repayment of loans and interest in the aggregate amount of approximately RMB60,692,650. TWS is alleged to be liable for such sum as guarantor. It is alleged that TWS had given the BOC Shenzhen guarantee in October 2003. Goldwiz Real Estate, as the third defendant, to the best of knowledge and belief of the Directors, is owned as to 10% by Goldwiz and as to 90% by a PRC National who is an independent third party of the Company and its connected persons. To the best of the Directors' knowledge and information and belief and having made all reasonable enquiries, each of Qi Hai Company and its shareholders is not a member of the Group, and is a third party independent of the Company and its connected persons (as defined in the Listing Rules), save for the fact that Qi Hai Company has, at the relevant times, and remains to be, a customer of Goldwiz Tongling.

The board of Directors became aware of the guarantees and agreements through the writs and the guarantees were given without the knowledge of the board of Directors at the relevant time.

Construction-related Litigation

The board of Directors was informed by TWS that it had been served with another writ of summons dated 30 March 2006 and as amended on 9 May 2006 to join additional defendants in which TWS had only received on 21 April 2006 and 11 May 2006 respectively. The underlying dispute of this writ of summons is, so far as the board of Directors is aware, not related to the other writs of summons as set out under the heading "Litigation". The underlying dispute of the following litigation relates to a dispute with a building contractor regarding alleged outstanding unpaid fees under a building contract that was entered into by TWS in the normal course of business. The writ of summons was issued through the Shenzhen Intermediate People's Court (PRC) and the parties to the litigation are as follows:

- (i) Shenzhen Jin Shi Ji Construction Industrial Company Limited (深圳市金世紀工程實業有限公司), as plaintiff;

- (ii) TWS, as defendant; and
- (iii) other parties, as co-defendants.

As a building contractor, the plaintiff claims from TWS the payment of fees in the amount of approximately RMB16,000,000 with interest. Three additional parties were joined as defendants as they are alleged to have a possible interest in the outcome of the proceedings. TWS is alleged to be liable for such sum as unpaid fees and other related costs under a construction contract in respect of the construction of a research and development centre located at High-Tech Industrial Park, Nanshan District, Shenzhen City, Guangdong Province, PRC.

6. MATERIAL ADVERSE CHANGE

The litigations set out above in the section headed “Litigations”, the RMB150 million deposits placed with Kinghing Trust & Investment Co., Ltd. with maturity dates in May 2006 and other possible material adverse changes were set out in the Company’s announcement dated 25 May 2006. The Directors consider that should judgements be entered into against certain PRC subsidiaries of the Group by the PRC courts which were involved in the litigations as set out in the above section 5, the financial position of the relevant PRC subsidiaries of the Group will be materially and adversely affected. The trust funds investments placed with Kinghing Trust & Investment Co., Ltd. amounting to RMB150 million (details of which were set out in the Company’s announcement dated 25 May 2006), which have not been recovered following their maturity in May 2006, will have a material adverse impact on the Group’s financial position, notwithstanding that the recovery of such deposits have not yet been quantifiable as at the Latest Practicable Date. Collectively or individually, any of these matters will have a material and adverse impact on the Group’s financial statements. As no provisions had been made in the Group’s interim and consolidated financial statements for the six months ended 31 December 2005 or its audited consolidated financial statements for the year ended 30 June 2005, the Group’s financial statements may therefore, be materially and adversely impacted on by any or all of the litigations and/or the non recovery of the RMB150 million deposits placed with Kinghing Trust & Investment Co., Ltd.

7. GENERAL

- (a) The registered office of the Company is at Century Yard, Cricket Square, Hutchins Drive, PO Box 2681 GT, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (b) The head office and principal place of business of the Company in Hong Kong is at Suite 2905, Tower 1, Lippo Centre, 89 Queensway, Hong Kong.
- (c) The branch share registrar of the Company in Hong Kong is Union Registrars Limited, whose office is at 311-312, Two Exchange Square, Central, Hong Kong.

- (d) The qualified accountant of the Company is Ms. Fung Yin Wan. Ms. Fung is the Financial Controller of the Group. She has more than ten years of experience in the fields of auditing, accounting, finance and taxation. She is a fellow member of The Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. She is also an associate member of the Institute of Company Secretaries and Administration and the Hong Kong Institute of Company Secretaries.
- (e) The company secretary of the Company is Ms. Cheung Hiu Lan. She is an associate member of Hong Kong Institute of Chartered Secretaries.

8. LANGUAGE

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal businesses hours at the principal place of business of the Company in Hong Kong at Suite 2905, Tower 1, Lippo Centre, 89 Queensway, Hong Kong from the date of this circular up to and including 28 June 2006 and at the SGM:

- (a) the Subscription and Option Agreement;
- (b) the Articles of Association of the Company;
- (c) the annual reports of the Company for the two financial years ended 30 June 2005;
- (d) the interim report of the Company for the six months ended 31 December 2005; and
- (e) the announcement of the Company dated 25 May 2006.

NOTICE OF SGM



TECHWAYSON HOLDINGS LIMITED

德維森控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2330)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting of Techwayson Holdings Limited (the “Company”) will be held at Plaza 4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 28 June 2006 at 10:00 a.m. to consider and, if thought fit, pass with or without modifications, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

“**THAT:**

- (1) the execution of the Subscription and Option Agreement dated 26 May 2006 entered into between Weina and the Company (the “**Subscription and Option Agreement**”) (a copy of which has been produced to this meeting and marked “A” and initialled by the chairman of the Company for the purpose of identification) in respect of the subscription of 250,000,000 of convertible redeemable preference shares (the “Convertible Shares”) by Weina at a subscription price of HK\$0.40 per Convertible Share and the grant by Weina to the Company of an option to require Weina during an option period to subscribe for an additional 100,000,000 Convertible Shares at a subscription price of HK\$0.40 per Convertible Share be and is hereby approved and the Directors be and are authorised to take such actions as they deem necessary or appropriate, including the issue and allotment of an aggregate of 350,000,000 Convertible Shares at a subscription price of HK\$0.40 per Convertible Share; and
- (2) the following individuals be and they are hereby reappointed as Directors and be and are hereby assigned the respective positions as shown below, with immediate effect:
 - (A) Mr. Gerard J. McMahon as non-executive Director of the Company;
 - (B) Dr. Sze Kwan as executive Director of the Company;
 - (C) Ms. Chan Siu Chu Debby as executive Director of the Company;

* *for identification purposes only*

NOTICE OF SGM

- (D) Mr. Siek Fui as executive Director of the Company; and
- (E) Mr. Liu Ping as executive Director of the Company.”

By order of the Board
Techwayson Holdings Limited
CHEUNG Hiu Lan
Secretary

Hong Kong, 10 June 2006

Notes:

1. As at the date of this notice, the board of Directors of the Company comprises four Executive Directors, namely Dr. SZE Kwan, Mr. SIEK Fui, Ms. CHAN Siu Chu, Debby and Mr. LIU Ping, two Non-executive Directors, namely, Mr. LIN Gongshi and Mr. Gerard MCMAHON and three Independent Non-executive Directors, namely Mr. WEE Soon Chiang, Henny, Mr. WONG Kam Kau, Eddie and Mr. HUI Hung, Stephen.
2. Any member of the Company entitled to attend and vote at the special general meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed.
3. Where there are joint registered holders of any share, anyone of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders is present at the meeting personally or by proxy, then one of the said persons so present whose name stands first on the register of members in respect of such share shall also be entitled to vote in respect thereof.
4. In order to be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be lodged with the principal place of business of the Company in Hong Kong at Suite 2905, Tower 1, Lippo Centre, 89 Queensway, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the Meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.